

Message Text

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TO AMEMBASSY AMMAN

C O N F I D E N T I A L STATE 013435

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E.O. 11652: GDS

TAGS: ENRG, JO, US

SUBJECT: JORDANIAN OIL

REFERENCE: AMMAN 0398

1. DISCUSSED NATOMAS CASE WITH JACK O'CONNELL JANUARY 20. O'CONNELL DOES NOT OBJECT TO BEING CITED AS SOURCE OF INFORMATION BUT WISHES IT BE MADE CLEAR THAT WE APPROACHED HIM ON SUBJECT, I.E., HE DOES NOT WANT TO BE ACCUSED OF MEDDLING IN GOJ CONTACT WITH SNODGRASS ASSOCIATES ON ENERGY MATTERS.

2. O'CONNELL DISCUSSED POTENTIAL NATOMAS ACTIVITIES IN JORDAN WITH SLOCUM ON JAN. 20 AND REPORTS AS FOLLOWS: NATOMAS IS RPT IS STILL INTERESTED IN JORDAN EXPLORATION. COMPANY HAS TWO PROBLEMS. FIRST IS DIFFERENCE OF OPINION WITH GOJ ON DEPRECIATION. NATOMAS WOULD LIKE TO CHARGE OFF 40 PERCENT OF ANY REVENUES AGAINST COSTS OF DRILLING AND EXPLORATION (APPROXIMATELY DOLS 4.5 MILLION) UNTIL TOTAL COST OF VENTURE PAID OFF. GOJ, ON OTHER HAND, WOULD LIKE TO PHASE DEPRECIATION OUT OVER A FIVE-YEAR PERIOD.

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PARTIES HAVE NOT BEEN ABLE TO REACH AGREEMENT ON THIS

POINT.

3. SECOND STUMBLING BLOCK IS POLITICAL UNCERTAINTY IN AREA AND INHERENT RISK IN GOING INTO JORDAN. NATOMAS BOARD OF

DIRECTORS WOULD FEEL MORE COMFORTABLE WITH A PARTNER TO SHARE RISK (ALTHOUGH SLOCUM, WE UNDERSTAND, IS SO CONVINCED THAT THERE IS OIL IN JORDAN THAT HE WOULD LIKE NATOMAS TO GO IT ALONE). NATOMAS HAS SOME POTENTIAL PARTNERS IN MIND AND WILL BE TALKING TO THEM THIS WEEK ABOUT POSSIBLE JOINT VENTURE IN JORDAN.

4. O'CONNELL SUGGESTS THAT GOJ WOULD BE WELL ADVISED CONSIDER POSSIBILITY OF GOING IN WITH NATOMAS ON FIFTY-FIFTY BASIS, SHARING IN BOTH INITIAL COSTS AND POSSIBLE FUTURE REVENUES. IF YOU FEEL IT APPROPRIATE YOU MAY WISH TO BRING THIS SUGGESTION TO ATTENTION OF CROWN PRINCE.

5. IN SUM, IT WOULD APPEAR THAT HASSAN MAY BE OVER-REACTING TO NATOMAS CABLE. O'CONNELL REMAINS CONVINCED THAT COMPANY IS STILL SINCERELY INTERESTED IN JORDAN VENTURE, WITH ONLY PROBLEMS BEING DEPRECIATION AND POSSIBLE PARTNERSHIP ARRANGEMENT. KISSINGER

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